

SEC

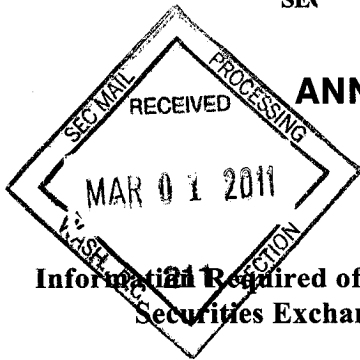


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ANNUAL AUDITED REPORT FORM X-17A-5 PART III

SEC FILE NUMBER

8- 29452

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
 Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Abraham & Co., Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

3724 47th Street Ct. NW

(No. and Street)

Gig Harbor, WA 98335

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

HJ & Associates, LLC

(Name - if individual, state last, first, middle name)

50 West Broadway Salt Lake City, UT 84101

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

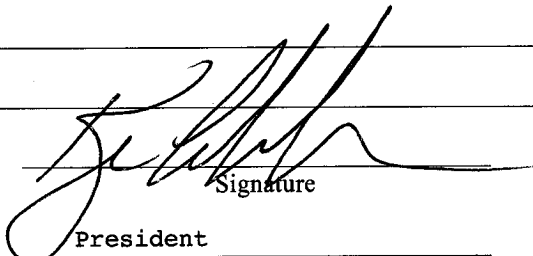
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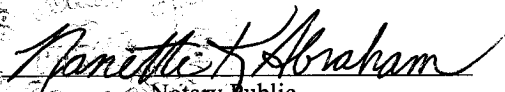
OATH OR AFFIRMATION

I, Kye A. Abraham, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Abraham & Co., Inc., as of December 31, 2010, 20 , are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE


Signature
President
Title




Notary Public

This report ** contains (check all applicable boxes):

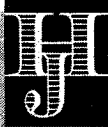
- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☒ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ABRAHAM & CO., INC.
FINANCIAL STATEMENTS
December 31, 2010

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RSM McGladrey Network
An Independently Owned Member

HJ & ASSOCIATES, L.L.C.

50 West Broadway, Suite 600 • Salt Lake City, Utah 84101
Telephone (801) 328-4408 • Fax (801) 328-4461

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholder's of
Abraham & Co., Inc.
Gig Harbor, Washington

We have audited the statement of financial position of Abraham & Co., Inc. as of December 31, 2010, and the related statement of operations, stockholder's equity, and cash flows for the year ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abraham & Co., Inc. as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not required by rule 17a-5 of the Securities and Exchange Commission. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HJ & Associates, LLC

HJ & Associates, LLC
Salt Lake City, Utah
February 28, 2011

ABRAHAM & CO., INC.
Statement of Financial Condition

ASSETS

December 31,
2010

CURRENT ASSETS

Cash	\$ 32,787
Cash deposit with clearing organization	10,610
Due from affiliate	13,500
Commissions receivable	243
Marketable securities, at fair value	62
Investment in affiliate company, at fair value	<u>123,209</u>

Total Current Assets 180,411

Equipment and software at cost, net of
accumulated depreciation of \$4,560 2,618

Total Assets \$ 183,029

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES

Accounts payable, accrued expenses, and other liabilities \$ 5,596

Total Current Liabilities 5,596

STOCKHOLDER'S EQUITY

Common stock, \$1.00 par value, authorized 20,000 shares, issued 12,800 shares	12,800
Additional paid-in capital	213,243
Accumulated deficit	<u>(48,610)</u>

Total Stockholder's Equity 177,433

TOTAL CURRENT LIABILITIES AND STOCKHOLDER'S EQUITY \$ 183,029

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Operations

For the
Year Ended
December 31,
2010

REVENUES

Commissions	\$ 2,860
Management services	45,403
Administrative fees charged to related parties	18,000
Realized gain on sale of investment in affiliate company	4,997
Unrealized gain on investment in affiliate company	<u>4,459</u>

Total Revenue 75,719

OPERATING EXPENSES

General and administrative expense	23,521
Employee compensation	48,515
Depreciation	2,303
Unrealized loss on marketable securities	<u>16</u>

Total Operating Expenses 74,355

INCOME BEFORE OTHER EXPENSES AND INCOME TAX EXPENSE 1,364

OTHER EXPENSE

Interest expense	<u>32</u>
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INCOME BEFORE INCOME TAXES 1,332

INCOME TAX -

NET INCOME \$ 1,332

BASIC AND DILUTED INCOME PER SHARE \$ 0.10

WEIGHTED AVERAGE SHARES OUTSTANDING 12,800

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2010

	<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>
			<u>Capital</u>	
Balance at December 31, 2009	12,800	\$ 12,800	\$ 114,993	\$ (49,942)
Contributed capital	-	-	98,250	-
Net income for year ended				
December 31, 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,332</u>
Balance at December 31, 2010	<u>12,800</u>	<u>\$ 12,800</u>	<u>\$ 213,243</u>	<u>\$ (48,610)</u>

The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Statement of Cash Flows

For the
Year Ended
December 31,
2010

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 1,332
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation expense	2,303
Proceeds from sale of investment in affiliate company	47,497
Realized gain on investment in affiliate company	(4,997)
Unrealized gain on investment in affiliate company	(4,459)
Unrealized loss on marketable securities	16
Changes in operating assets and liabilities:	
Increase in commissions receivable	(239)
Increase in due from affiliate	(13,500)
Increase in accounts payable and accrued expenses	<u>3,278</u>
Net Cash Provided by Operating Activities	<u>31,231</u>

CASH FLOWS USED BY INVESTING ACTIVITIES

Purchase of equipment	<u>(347)</u>
Net Cash Used by Investing Activities	<u>(347)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

NET INCREASE IN CASH	30,884
CASH, BEGINNING OF YEAR	<u>1,903</u>
CASH, END OF YEAR	<u>\$ 32,787</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

CASH PAID FOR:

Interest	\$ 28
Income taxes	\$ -

NON-CASH FINANCING ACTIVITIES

Contribution of capital	\$ 98,250
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The accompanying notes are an integral part of these financial statements.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Abraham & Co., Inc., a Washington corporation, is registered with the Securities and Exchange Commission as a broker/dealer under the Securities Exchange Act of 1934. The Company engages in the general retail securities business. It also provides management and administrative services to a related entity. The Company's source of customers is through its sole employee who is also the Company's sole stockholder. The Company has one office located in Gig Harbor, Washington.

All securities transactions, with the exception of concessions transactions, are cleared through another broker/dealer on a fully disclosed basis. The Company does not receive or hold funds of subscribers or securities of issuers, and does not hold customer funds or securities.

Income and Expense Recognition

The Company records income and expense on the accrual basis. Commission revenue and expense, net of clearing fees, are reflected in these financial statements on a trade date basis.

Securities Transactions

The Company has classified all marketable securities as trading. As such, all securities are carried at fair market value. Gains or losses are determined using a first-in-first-out valuation methodology.

During November 2010, the Company sold 50,000 shares of stock in an affiliate company with a cost basis of \$42,500 for proceeds of \$47,497, recognizing a gain on sale of \$4,997.

During December 2010, the Company's CEO and Chairman contributed 110,394 shares of stock in an affiliate company valued at \$98,250.

The Company recorded an unrealized loss of \$16 on its marketable securities and an unrealized gain of \$4,459 on its investment in an affiliate company.

Federal Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax assets are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federal Income Taxes (Continued)

The provision (benefit) for income taxes for the years ended December 31, 2010 consists of the following:

	<u>2010</u>
Federal:	
Current	\$ -
Deferred	<u>-</u>
State:	
Current	-
Deferred	<u>-</u>
	<u>\$ -</u>

The net deferred tax asset consists of the following components at December 31, 2010

	<u>2010</u>
Deferred tax assets:	
NOL carryover	\$ 2,930
Depreciation	<u>(2,068)</u>
Valuation allowance	<u>862</u>
Net deferred tax asset	<u>\$ -</u>

The income tax provision differs from the amount of income tax determined by applying the U.S. federal and state income tax rates of 15% to pretax income from continuing operations for the years ended December 31, 2010 due to the following:

	<u>2010</u>
Book income	\$ 519
Unrealized gain on marketable securities	(1,732)
Depreciation	(898)
Meals and entertainment	174
Net operating loss	<u>1,937</u>
	<u>\$ -</u>

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Company considers money market mutual funds and all highly liquid debt instruments with original maturities of three months or less to be cash equivalents for purposes of the statement of cash flows.

Depreciation

Depreciation is provided on a straight-line basis using estimated useful lives of three years.

Receivable from Clearing Organization, Net

Amounts receivable from the Company's clearing organization consist of the net amounts receivable for commissions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - BASIC INCOME PER SHARE

Basic income per share of common stock was computed by dividing the net loss by the weighted average number of common shares outstanding for the year. Diluted income per share is not presented because the Company has not issued any potentially dilutive common shares. The weighted average number of common shares outstanding for the year ended December 31, 2010, was 12,800.

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2010, the Company had net capital of \$125,852 which was \$120,852 in excess of its required net capital of \$5,000.

ABRAHAM & CO., INC.
Notes to Financial Statements
December 31, 2010

NOTE 4 - POSSESSION OR CONTROL REQUIREMENTS

The Company adheres to the exemptive provisions of SEC Rule 15c3-3 (k)(2)(ii) by sending all funds and securities to the correspondent broker/dealer who carries the customer accounts. Therefore, the Company does not hold or have any possession or control of customer funds or securities

NOTE 5 - RELATED PARTY TRANSACTIONS

The sole shareholder of the Company has a 50 percent ownership interest in, and is president of, another corporation. During the year ended December 31, 2010, the Company earned \$18,000 in administrative fees for services provided to this corporation.

During November 2010, the Company sold 50,000 shares of its previously acquired common stock in a related party company for \$47,497, or \$0.95 per share.

December 2010, the sole shareholder of the Company contributed 110,394 shares of stock in a related party company as capital. The stock was valued at \$98,251, or \$0.89 per share, which was the trading price of the stock on the date of contribution.

NOTE 6 - SUBSEQUENT EVENTS

There were no significant subsequent events as of February 28, 2010 which is the date the financial statements were issued.

ABRAHAM & CO., INC.
Schedule I
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2010

COMPUTATION OF NET CAPITAL

Total stockholders' equity	\$ 177,433
Non-allowable assets:	
Fixed assets net of accumulated depreciation	(2,618)
Due from affiliate	(13,500)
Other deductions pursuant to subparagraph (c)(2)(i) of Rule 15c3-1	<u>(35,463)</u>
Net Capital	<u>\$ 125,852</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:

Accounts payable, accrued expenses, and other liabilities	<u>\$ 5,596</u>
Aggregate Indebtedness	<u>\$ 5,596</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of total aggregate indebtedness)	<u>\$ 373</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 5,000</u>
Net capital in excess of required minimum	<u>\$ 120,852</u>
Ratio: Aggregate indebtedness to net capital	<u>0.044 to 1</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital as reported in Company's Part II FOCUS report	\$ 125,468
Adjustments to accounts payable	<u>384</u>
Net Capital Per Above	<u>\$ 125,852</u>

ABRAHAM & CO., INC.
Schedule II
Computation under Rule 15c3-3 of the
Securities and Exchange Commission
December 31, 2010

EXEMPTIVE PROVISIONS

The Company has claimed an exemption from rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Southwest Securities, Inc.



HJ & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

RSM McGladrey Network

An Independently Owned Member

50 West Broadway, Suite 600 • Salt Lake City, Utah 84101
Telephone (801) 328-4408 • Fax (801) 328-4461

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE REQUIRED BY SEC RULE 17A-5**

The Board of Directors
Abraham & Co., Inc.
Gig Harbor, Washington

In planning and performing our audit of the financial statements of Abraham & Co., Inc. (the Company), as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission, we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts verifications, and comparisons, and the recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses and therefore, there can be no assurance that all material weaknesses have been identified. However, we identified the following deficiencies that we consider to be material weaknesses, as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures performed in our audit of the financial statements of the Company as of and for the year ended December 31, 2010 and this report does not affect our report thereon dated February 28, 2011.

One of the basic elements of a satisfactory system of internal control is an organization which provides appropriate segregation of duties. Because of the limited size of the Company, it is not possible for this to be achieved.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2010, to meet the SEC's objectives.

The report is intended solely for the use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



HJ & Associates, LLC
Salt Lake City, Utah
February 28, 2011